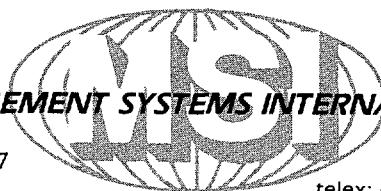


MIDTERM EVALUATION OF THE LAC REGIONAL FINANCIAL MANAGEMENT IMPROVEMENT PROJECT

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LIST OF ACRONYMS

AID	Agency for International Development
CAP	Comprehensive Audit Process
CASE	Computer Aided Software Engineering
CG OCG	Office of the Comptroller General
GAAS	Generally Accepted Accounting Standards
HC	Host Country
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Auditing Institutions
IRP	Immediate Recovery Project
LAC	Latin American and Caribbean
MAPA	Manual for Audit Procedures
MIS	Management Information System
OAG	Office of Auditor General
ONA	Office of National Accounting
PW	Price Waterhouse
RFMIP	Regional Financial Management Improvement Project
ROCAP	Regional Office for Central America and Panama
RTAC	Regional Technical Aids Center
SAI	Supreme Auditing Institutions
TA	Technical Assistance
TOR	Terms of Reference

EXECUTIVE SUMMARY

A. Project History, Objectives, and Methodology of Evaluation

The Bureau for Latin America and Caribbean Regional Financial Management Improvement Project (LAC/RFMIP) is a response to concerns raised by Congress, the General Accounting Office (GAO), and reports by the A.I.D. Inspector General concerning the prevalence of weak financial management systems in developing countries. A.I.D. has implemented a long-term regional strategy approach, as recommended by the GAO, to improve host country financial management. The LAC/RFMIP was contracted with Price Waterhouse (PW) on May 30, 1989 to carry out general and strategy development activities over a three year period.

The goal of this project is to increase the ability of Latin American and Caribbean governments to more efficiently utilize and evaluate their scarce monetary resources. The purpose of the project is to improve host country financial management in Latin America and the Caribbean. Achievement of project purpose will be indicated by: a) a number of requests are received by AID/W and USAID's to fund financial reform projects and activities; b) national financial management improvement strategies are approved by LAC countries and being implemented; c) host country ministries using financial management assessments to strengthen financial management institutions and systems; d) increased financial commitments by governments to improving financial management systems and practices and training of financial managers, auditors and accountants; e) improved accuracy and timeliness in financial reporting.

Modifications to the activities originally contemplated in the project paper grew out of a December 1988 LAC Workshop and included ideas such as: producing a project newsletter; supporting existing conferences and seminars instead of sponsoring new ones; coordinating donor agencies; and adding an emphasis on activities that promote controlling fraud and corruption in government.

The midterm evaluation focuses primarily on the performance of PW in carrying out sub-project activities and developing country specific and LAC Bureau strategies to attain project purpose and goal. Procedures used by the evaluators to accomplish this included: participation in a regional and a Key Financial Manager conference; interviews with senior LAC government financial managers, the A.I.D. Controller, the LAC Controller, USAID Mission Controllers and A.I.D. Representatives in the LAC Region; participation in a LAC Region Donor Working Group Meeting; interviews with the LAC/RFMIP Project Officer and PW staff; document review of project output to date.

B. Overall Project Progress

The conclusion of the evaluators is that 22 months into this 36 month contract that there has been an impact on attaining the project purpose. Under general activities, eight regional, sub-regional, country-specific, and key financial manager conferences have been either sponsored or

supported by this project. Over 1250 public sector financial managers from the LAC region have participated in these events. Over 600 hours of training activities in operational auditing and fraud and corruption issues have been conducted for government financial managers in Costa Rica, Panama, Nicaragua, and Haiti. Six editions of a newsletter have been published with a current circulation of nine thousand copies in Spanish and English. A LAC region Donor Working Group that acts as a coordinating committee among international donors funding projects in financial management improvement is also supported by this project.

Strategy development activities have included country assessments in Panama, Colombia, and Costa Rica that have generated interest on upper governmental levels in these countries to address the issues these reports have raised. Panama is ready to implement a project to install an integrated financial management system (IFMS) as a result of this assessment and follow-up activities. Costa Rica has received hundreds of hours of audit training in their Comptroller General Office, has institutionalized this training, and has a pending proposal to redesign the Office. Colombia is implementing reforms in its Comptroller General Office as recommended in the assessment report. In Chile, courses in financial management for financial managers and non-financial managers are ready to implement.

Indications are that efforts to increase on a regional basis the debate on government-level fraud and corruption is bearing fruit. Conference participants have indicated that discussions on this topic are more open and frank. Requests for assistance or interest on the central government level to resolve this problem has come from Guatemala, Colombia, Jamaica, Panama, Nicaragua, Haiti, and Costa Rica.

USAID Controllers and Representatives in the LAC region have noted an increased interest in financial management improvement issues since project implementation. The USAID Controller in Guatemala has spearheaded under this project, the installation of personal computer-based accounting software (TECAPRO) in a government agency to monitor donor funds. It is close to becoming a successful reality. In addition, there have been several ideas that the USAID Controllers have identified or have in mind for future funding.

The contract mechanism for the LAC/RFMIP has not allowed the flexibility nor the resources to fund all potential activities that have been identified to date. The Panama assessment was an unforeseen intervention that severely impacted the overall project budget. There are other activities that have not been budgeted for but that are time-sensitive and ready to implement.

Adequate staff resources have not been provided on the LAC Bureau level to support the Project Officer. On several occasions he has had to rely on PW to provide him with even basic secretarial support. For any type of follow-on project the LAC Bureau must be prepared to devote sufficient staff resources.

At the time of this evaluation, the contract period is 61% completed, 83% of the budget and 87% of the anticipated level of effort have been used. \$400,000 is available through the

balance of the contract period. Activities to complete include support/participation of several more conferences, publish four more newsletters, continued Donor Working Group support, collect and report baseline information in eight LAC countries, carry out several more success surveys, complete long-term financial management improvement strategies for Costa Rica and Colombia, finalize LAC Bureau Financial Management Strategy Statement, complete the financial management database, and prepare a manual on the PC-based accounting software.

C. Conclusions

Since this project has a multi-element approach, there are several conclusions that can be drawn from this evaluation. Principal among these are:

- support of regional and national financial management professional organizations through all project activities is an effective channel for supporting financial management reform in individual countries in the region;
- the Donor Working Group has assisted in coordinating efforts in the area of financial management;
- supporting and sponsoring conferences has been an effective and economical means to promote ideas and share experiences of improved government financial management;
- the issue of fraud and corruption in government is very important to LAC government financial managers and methods of eradicating it from the public sector are needed;
- training courses given to date have already surpassed the contract mandate and have produced excellent results. The Comptroller General Office operational audit course has been institutionalized in Costa Rica and four fraud and corruption seminars have produced much interest in the topic in Panama, Nicaragua, and Haiti;
- the newsletter is widely distributed in English and Spanish and contains timely information on financial management topics and conferences;
- technical assistance activities have resulted in a financial management design methodology that has been successfully applied in Panama and Costa Rica. A model Comptroller General Office design was also undertaken. PC-based software was identified that will be available for use region-wide and allow government recipient-organizations to monitor and report donor funding more effectively;

- country assessment methodology and success survey methodology have been developed, approved and applied successfully in several countries. A database of most regional financial management activities has been developed, but has not yet been circulated;
- a LAC regional financial management strategy (STRATAC) is in the draft stage and presents a comprehensive approach to assess, design, implement, evaluate, and sustain an IFMS on the central government level. It is also adaptable to specific country conditions that don't always warrant a comprehensive restructuring. It makes a strong case for a new A.I.D. Mission-level position of Accountability Officer who would assure technical consistency and continuity, and who would monitor project progress.

D. Recommendations

- 1) Support regional and national professional organizations involved in government financial management activities. Include discussions of the LAC/RFMIP at all supported conferences, produce conference summary reports, and encourage Donor Working Group coordination meetings on the host country level.
- 2) Schedule Key Financial Managers Conferences for a three day period and separate from any other scheduled conference, and include time during the conference for conference evaluation by participants.
- 3) Plan a Costa Rica follow-up visit to assess the effectiveness of the operational audit training. Conduct additional operational audit training in other countries as appropriate using the Costa Rica Manual of Audit Procedures as a model for other countries. Hold fraud and corruption seminars in other countries as needed. Continue to develop publishable material in Spanish on the IFMS. Newsletter should include articles on financial management problems and success stories, continue to expand circulation, and find a means to sustain its publication at project completion.
- 4) Obtain acceptance of and implement the model Comptroller General Office in Costa Rica and monitor this and the Honduras cases to test validity of the model. Examine means to expand distribution of PC based TECAPRO software to users region-wide, initiate through Donor Working Group the standardization of donor reporting requirements to facilitate this process on recipient level, begin effort to convert software to French for application in Haiti and potentially to expand software distribution beyond the LAC region.
- 5) Identify remaining three countries for baseline surveys and complete all ten surveys.

- 6) Test and refine country assessment methodology on more countries, including those in the Caribbean. Include an environmental assessment in the report that analyzes the political climate, level of corruption, economic and social conditions. Since this is a "public document", care should be given to the presentation and distribution of this information. Document should contain recommendations and conditions precedent to proceed with any proposed technical assistance.
- 7) Decide what to do with the financial management database. How much information to include, who will use, and most importantly who will maintain are issues that should be resolved, preferably through the Donor Working Group.
- 8) Continue to perform additional success surveys, putting a priority on reporting these stories to regional financial managers, perhaps through conference presentations and case studies, as well as stories in the newsletter.
- 9) Disseminate guidelines for submitting technical assistance requests from LAC governments and organizations to avoid time wasted on inappropriate or poorly organized proposals. This information could be publicized through the newsletter or in conference presentations/handouts.
- 10) The concept of the Accountability Officer is strongly recommended to facilitate implementation of Mission-level financial management projects and to provide continuity to RFMIP efforts. Donor Working Group should become owners of any strategy statement, since the magnitude of this regional effort will require the support of the entire donor community over several years and it will be up to this group to follow through with this effort.

E. Lessons Learned

- 1) Since LAC/RFMIP design, implementation, and training activities are in many cases untested, periodic assessments of these activities may result in changes to the models.
- 2) Any technical assistance activities on the Mission level will overburden Mission Controllers and staff.
- 3) Conferences and meetings sponsored and supported by LAC/RFMIP provide the opportunity for financial management professionals to meet and discuss problems and solutions as a professional collegium, enhancing the potential for meaningful change to result.
- 4) Adequate political will must be first condition to any planned intervention.

- 5) Contract mechanisms must be appropriate to allow donors to react immediately when host country climate is right to initiate financial management changes.
- 6) Professional audits can provide impetus for meaningful change of host country government financial management.
- 7) LAC/RFMIP-sponsored country assessments of financial management systems can act as a catalyst leading to greater interest and commitment in the host government for implementing change.
- 8) There is a need to better inform LAC host country financial managers of the scope of and process for submitting potential activities under the LAC/RFMIP.
- 9) Solutions to the problem of fraud and corruption in government is a major concern of financial managers in the LAC region.

F. Phase II Design Ideas

The mid-term evaluation indicated that this phase of the LAC/RFMIP generated enough interest in the area of improved government financial management that has resulted in several potential follow-on projects that will not be able to be undertaken in the remaining 14 months of this project. Fourteen potential country-specific activities have been assessed and found suitable by PW and the Project Officer. In addition, several centrally-funded activities under this project, such as country assessments and strategies, conferences, the financial management database, and the newsletter should be continued under a second phase.

An important element of any follow-on project is a contract mechanism that allows the flexibility to enable: Missions to buy into the project when appropriate; the Project Officer to choose between implementing contractors based on the anticipated scope of an activity; a rapid response capability.

The evaluators have determined that a core contract with a Mission buy-in provision would offer the type of flexibility and rapid-response capability to respond to the types of requests anticipated under a follow-on project.

Another anticipated need was identified on the Mission-level. Any financial management improvement project would normally be proposed and implemented through the USAID Controller office. Mission Controller workloads are excessive to begin with, and project management responsibilities would exacerbate their situation in most cases. Hence the proposal of an Accountability Officer at Mission-level, who would play the role of the financial management project officer and liaison between Mission Controller, the LAC Bureau, and host country officials is a sensible one. The cost of this position should be weighed against the scope of the financial management activities in any given country.

I. INTRODUCTION

History

The Bureau for Latin America and the Caribbean Regional Financial Management Improvement Project (LAC/RFMIP) responds to concerns raised by the General Accounting Office (GAO), numerous reports by the A.I.D. Inspector General over the years, and repeated concerns expressed in recent years by the Congress concerning the prevalence of weak financial management systems in developing countries. A.I.D. accepted the findings of these reports that financial management systems in LAC governments needed to be improved and specifically the GAO report that recommended a long-term regional strategy approach be taken if improvements are to be made in Host Country (HC) financial management. To be effective, this strategy development must be based upon:

- an assessment of needs and constraints
- an accurate database of financial management activities carried out in the past, or currently being carried out,
- an evaluation of the successes and failure of the above activities in improving overall HC financial management, and
- the carrying out and evaluation of selective test activities.

The above elements are required for developing a strategy for a specific country or, in this case, for the LAC Bureau as well.

The project is also based on two other assumptions:

- that existing and new activities should continue while the strategies are being developed, and
- a strategy made up of a series of relatively small interventions can, over the long run, have a favorable impact on HC financial management.

The LAC/RFMIP was authorized on August 12, 1988. The prime contract with Price Waterhouse (PW) was executed on May 30, 1989, to carry out general and strategy development activities over a three-year period.

In the interim period between authorization and contracting with PW, a pamphlet titled "Your Role in the Accountability Process" was written and published by the LAC Bureau in Spanish and English. This is a hands-on document that details the reporting requirements for recipients of U.S. development assistance funds. It has been distributed throughout the LAC region during the contract period.

Objectives

The goal of the LAC/RFMIP is to increase the ability of Latin American and Caribbean governments to more efficiently utilize and evaluate their scarce monetary resources. The purpose of the project is to improve host country financial management in Latin America and the Caribbean. Achievement of the project purpose at the end of the project will be indicated by:

- use of the financial management assessment reports by key HC ministries to develop projects to strengthen financial management institutions and systems through training and other means.
- increased financial commitments by governments in the region to improving financial management systems and practices and to the training of financial managers, auditors and accountants.
- improved accuracy and timeliness in financial reporting.

Some modifications were made in the activities contemplated in the project paper in order to better facilitate the achievement of the foregoing purpose and objectives. These modifications included new ideas such as the producing a project newsletter, supporting existing conferences and seminars as opposed to fully sponsored new ones, and coordinating donor agencies. Also, based on the recommendation of the participants who attended a December 1988 LAC Fraud and Corruption Workshop, an entire new area of emphasis was added in order to cover fraud and corruption in government. It was reasoned that activities to combat fraud and corruption in government are directly related to the HC ability to develop sound financial management systems. The activities added to the contract to address this issue included sponsoring country specific workshops on fraud and corruption as well as including the topic in several of the regional conferences. The project also paid to produce several publicity posters and to print 5000 copies each of the Klitgaard book on combatting fraud and corruption and the Ramirez book on white-collar crime.

Methodology of this Evaluation

This evaluation focuses primarily on the performance of PW to carry out sub-project activities and to develop country-specific long-term strategies for improving HC financial management and the development of a long-term strategy for the LAC Bureau. Mention is also made of other activities funded by the project but not included in the PW contract, including: the 1988 Fraud & Corruption Workshop, the publication "Your Role in the Accountability Process," and the Honduras Controllers General Office assistance. In carrying out their analysis, the evaluators sought to assess the degree to which the stated project goal and purpose have been met with particular attention to:

- PW performance in carrying out and reporting upon work plans,
- effectiveness of the project in eliciting the support and participation of government financial professionals from throughout the region in professional development activities,
- the potential for completing the project satisfactorily in the light of progress, performance and participant response to date;
- the need for and overall focus on a follow-up project to implement the LAC Bureau strategy produced.

Some of the methods and procedures used by the evaluation team to accomplish its tasks follow:

- consulted with and sought guidance from the LAC Senior Financial Management Adviser (the Project Officer) and the LAC Controller;
- participated in the V Conference on New Developments in Financial Management and the II Caribbean Key Financial Managers Conference held in Miami, Florida, April 8-12, 1991;
- conducted interviews at these conferences with Latin American and Caribbean finance officers familiar with the project;
- interviewed the A.I.D. Controller and conducted telephone interviews with USAID Mission Controllers and A.I.D. Representatives in the LAC Region;
- observed the VII LAC Region Donor Working Group Meeting on Improving Financial Management hosted by the Inter-American Development Bank April 18, 1991;
- conducted interviews with Price Waterhouse staff members and others who have participated, both in the past and presently, in the project;
- visited project headquarters in Washington, D.C. and reviewed documentation produced by Price Waterhouse under the LAC/RFMIP.

The scope of work for this evaluation is attached in Annex 1.

II. OVERALL PROJECT PROGRESS

A. Progress Toward Project Purpose and Goal Level

The LAC Regional Financial Management Improvement Project (LAC/RFMIP) was contracted between the Agency for International Development (A.I.D.) and Price Waterhouse (PW) in May 1989 with the **goal** of increasing the ability of Latin American governments to more efficiently utilize and evaluate their scarce monetary resource. The **purpose** of the project is to improve financial management in Latin America and the Caribbean (LAC). The contract value totalled \$2.8 million and is in effect for three years.

The mid-term evaluation of this project is taking place 22 months into the project (April 1991). The evaluation team has concentrated its efforts on measuring project output to date, but it has gathered information, mainly in the form of informed opinions, that shed some light on the attainment of project purpose and goal as well.

All of the project outputs and other activities, both general and strategy development activities, have begun and the evaluators has noted the completion of some of the key outputs at the time of this evaluation (see logframe, figure 1, for outputs). Project outputs and their current status will be discussed in detail in section II.B of this report. The discussion in this section of the report will be limited to the impact of output on project purpose and goal.

The conclusion of the evaluators is that the project to date has had an impact on attaining the project purpose of improving financial management in the LAC region. The evaluators have been able to confirm that key ministries are using financial management assessment reports to strengthen their financial management systems; that there has been a demonstrated increase of financial commitments by some governments in the region to improving and training staff in financial management systems and practices; and that there have been improvements in accuracy and timeliness of financial reporting in some instances.

Under the general activities, eight regional, sub-regional, country-specific, and key financial manager conferences have been either sponsored or supported by this project. Over 1,250 public sector financial managers from the LAC region have participated. Speakers, many of whom are recognized leaders in their fields, have given papers and chaired group discussions on such topics as accountability in government, fraud and corruption, the necessity of a chief financial officer for government, improving cash management in government, new accounting and auditing standards in the public sector, and new USAID guidelines for auditing. Conferences for Key Financial Management Officers have been intensive two day sessions concerning internal control, financial management, honesty and integrity in government, cash and debt management, and budgeting. These conferences were implemented at a relatively low cost per attendee and have been an effective means of reaching large numbers of government decision-makers, enabling them to compare and contrast current issues with their contemporaries from other countries. Responses from conference participants interviewed by the team were enthusiastic about both the

LAC FRAMEWORK: LAC REGIONAL FINANCIAL IMPROVEMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u></p> <p>Increase ability of LAC governments to more efficiently utilize and evaluate their scarce monetary resources.</p>	<p>Increase number of countries using improved financial management systems.</p>	<p>Use of financial statements in public sector management.</p>	<p>Host country political will exists to support implementation of financial reforms.</p>
<p><u>Purpose:</u></p> <p>To improve host-country financial management in LAC.</p>	<p><u>End of Project Status</u></p> <ol style="list-style-type: none"> 1) A number of requests received by AID/W and USAIDs to fund financial management reform projects. 2) National financial management improvement strategies approved by LAC countries and being implemented. 3) Use of the financial management assessment reports by key government ministries to develop projects to strengthen financial management institutions and systems through training and other means. 4) Increased financial commitments by governments in the region to improving financial management systems and practices and to the training of financial managers, auditors and accountants. 5) Improved accuracy and timeliness in financial reporting. 	<ol style="list-style-type: none"> 1) Number of LAC Regional and/or bilateral project requests and implementations. 2) Review of host country government financial reports and procedures. 3) Host country budgets and training schedules. 	<p>Host countries will have the technical capacity to implement changes.</p> <p>Policy climate supportive of financial accountability and increased transparency.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Outputs</u></p> <p>General activities:</p> <p>1) Introductory activities: Project participation in regional, and country-specific conference.</p> <p>2) Regional Conferences: Held or supported several regional specific-topic conferences.</p> <p>3) Key Financial Executive Conferences: Held at least eight two-to-three day conferences during life of project.</p> <p>4) Senior Level Training & Professional Development: Conducted a series of training events for upper and senior level HC officials. Published a newsletter to be distributed to financial personnel in LAC region.</p> <p>5) Technical Assistance to Missions & Host Countries: Provided Missions and HC with technical assistance in the design, testing or evaluating of financial management activities.</p> <p>6) Additional Activities: supported Donor Working Group activities; produced a publication on IFMS; promoted importance of internal auditing as part of IFMS.</p>	<p>1) Conference reports and records of expenditures</p> <p>2) Conference reports and records of expenditures</p> <p>3) Conference reports and records of expenditures</p> <p>4) Reports on training events and list of participants, person hours of training, newsletter and distribution list.</p> <p>5) Reports on technical assistance activities undertaken; LOE of activities.</p> <p>6) Support given to donor working group; publication on IFMS; internal auditing promotion activities.</p>	<p>1) Quarterly project reports submitted to AID Project Officer by Contractor.</p> <p>Same as above.</p> <p>Same as above.</p> <p>4) Reports, newsletters, PW newsletter, mailing list, PW records.</p> <p>5) TA reports, PW records</p> <p>6) Review records/minutes prepared on Donor Working Group and discuss with members of groups, review publications.</p>	<p>Sufficient AID resources committed to project.</p> <p>Adequate host country government interest in improving financial management.</p>

<p>Strategy Development:</p> <p>1) Baseline information: Developed a methodology for quickly evaluating the financial management performance of HC. Identified and collected data using methodology in up to ten countries using primarily local staff.</p> <p>2) Country Assessments: Developed a methodology for identifying the constraints to improving HC financial management and developed a long term strategy for the country.</p> <p>3) Financial Management Database: Collect information on all significant financial management activities in the LAC Region.</p> <p>4) Evaluation of other FM activities: Developed a methodology to selectively evaluate financial management activities, obtain Project Officer approval of methodology and carry out financial management success.</p> <p>5) Identification of Potential Activities: Identified and evaluated potential financial management activities of either country-specific or regional nature.</p> <p>6) Prepared LAC Bureau Strategy</p>	<p>1) Baseline methodology, Project Officer approval, baseline information on 10 LAC countries.</p> <p>2) Methodology, confirm Project Officer approval, assessment and strategy reports for Costa Rica, Colombia, Panama</p> <p>3) Database</p> <p>4) Methodology, success surveys, project officer approval of methodology</p> <p>5) Potential activity reports.</p> <p>6) Strategy statement</p>	<p>1) Review reports, Project Officer interview</p> <p>2) Review methodology, assessments and strategy reports</p> <p>3) Review database content</p> <p>4) Review documents, success surveys, confirm approval with Project officer</p> <p>5) Review reports</p> <p>6) Document review</p>	
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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Inputs:</p> <ol style="list-style-type: none"> 1) Resources to participate in or sponsor regional, country-specific, or Key financial manager conferences. 2) 500 hours of senior level training and professional development. 3) 23.5 person months of U.S. and 12.5 person months of local professional service for technical assistance to missions and host countries. 4) Staff support for Donor Working Group, publishing handbook on integrated financial management system, promotion of internal auditing. 5) Staff resources to develop methodology and collect baseline information. 6) Staff resources to develop methodology and assess three LAC countries. 7) Staff time to develop financial management project database. 8) Staff resources to develop success survey methodology, LAC Bureau strategy, identify and evaluate potential activities. 	<ol style="list-style-type: none"> 1) \$2.8 million of A.I.D. funding. 2) PW progress reports to project manager. 	<ol style="list-style-type: none"> 1) LAC/USAID records. 2) PW records. 	<ol style="list-style-type: none"> 1) Funds and personnel available on a timely basis.

content and format of these meetings. Some have indicated that concepts from presentations will be presented to colleagues and considered for implementation.

Over 600 hours of training activities have been conducted for government financial managers in Costa Rica, Panama, Nicaragua, and Haiti. In addition, technical assistance activities ranging from the design of a model Comptroller General Office in Costa Rica to the installation of personal computer-based project accounting software in Guatemala have been completed. A newsletter publicizing current events and developments in government financial management has been published six times in the region, with a current distribution of 9,000 copies in English and Spanish to public sector financial management personnel in the LAC region. The newsletter has received excellent reviews from LAC government and A.I.D. Mission personnel. The project is also supporting a Donor Working Group in Washington that is acting as a coordinating committee among international donors funding projects in financial management improvement. All of these activities have contributed to increasing commitment by participants to improving financial management systems and practices, as well as increased training of financial managers and auditors.

Strategy development activities have had the most directly measurable impact on financial management in the region. Three country assessments have been conducted, in Panama, Colombia, and Costa Rica, and interest in follow-on activities to address issues raised in the assessment reports is high in all three countries. Panama is ready to implement a project to install an integrated financial management system (IFMS) as a result of the project assessment and follow-up activities. Costa Rica has received hundreds of hours of audit training in the Comptroller General Office, has institutionalized this training, and has a pending proposal to redesign the Office, all activities accomplished by this project. Colombia, although an advanced developing country receiving no direct A.I.D. funding, has expressed a willingness to use some of its narcotics control money to implement reforms in its Comptroller General Office as suggested in their project-sponsored assessment. In addition, officials in their Attorney General Office are interested in establishing a GAO-type function on the Central Government level. These are examples of assessment reports being used by host country governments to strengthen their financial management institutions and systems.

Our discussions with conference participants and A.I.D. personnel in the region have indicated that debate on the topic of fraud and corruption in government has become more open and frank. Requests for assistance or interest on the central government level to resolve this problem have come from Guatemala, Colombia, Jamaica, Panama, Nicaragua, Haiti, and Costa Rica, among others. Coincidentally, fraud and corruption seminars have been held under the LAC/RFMIP in three of these countries: Panama, Haiti, and Nicaragua.

The team interviewed several USAID Mission Controllers and A.I.D. Representatives to assess the impact of the LAC/RFMIP on government financial management in their countries (see list Annex 6). In general, Controllers/Reps in countries with few LAC/RFMIP activities (Chile, Uruguay, Paraguay, Brazil, Argentina) have noted a general interest in financial management improvement issues, but to date only limited project activity has been planned. In those countries

where the project has had specific activities (notably Nicaragua, Panama, Costa Rica, Guatemala, Colombia), the USAID Controllers have observed more dramatic results. In addition to the activities discussed above, there are several financial management reform and accountability project ideas awaiting implementation in Nicaragua, such as the need for reorganization of the Comptroller General Office. The USAID Controller in Guatemala reports very favorably on the progress to install a PC-based accounting package in an implementing agency of the Ministry of Agriculture to monitor donor programs. This package will improve the accuracy and timeliness of financial reporting. He is so enthused with the accounting software identified by PW that he has applied for a procurement waiver so that he can purchase 20 more packages to be made available regionally through ROCAP's RTAC. In Colombia, the A.I.D. Representative reports that several initiatives are under way, including privatizing of customs warehousing in an attempt to eliminate corruption in that area. The USAID Controller in Ecuador has expressed an interest in institutionalizing audit training in the Comptroller General Office.

Several USAID Controllers had ideas, some very firm, on follow-on activities (see section IV). However, most cautioned about the project mechanism used to implement future project activities. Project design for bilateral assistance activities takes time: from the assessment to contract award can easily involve a year or more. However, most of these financial management initiatives are very time-sensitive and depend completely on the existence of political will and momentum coming from the host country government in power. These reform initiatives may be the agenda of a particular political party or leader, but if too much time passes between promises and action, or if there is a change in leadership, the window of opportunity can slam shut before a project can be initiated. Therefore, any effective contract mechanism that allows for quick implementation was preferred by the Controllers.

The team concluded that more resources should be committed to this endeavor within the LAC Bureau. The Project Officer has served as a dynamic catalyst in the success of this project to date, but has not been provided the staff support within the Bureau that has been necessary. In many instances he has had to rely on PW to provide secretarial support. Given the anticipated scope of a follow-on activity, adequate support for the Project Officer must be anticipated.

A final point needs to be made on the completion of the remainder of the activities under LAC/RFMIP given the budget that is available. As of March 1991 (the most recent report available), 22 months (61% of total) of the contract period had elapsed, 155 person months of level of effort (87% of total), and \$2.4 million (83% of total) of the project funds had been expended, leaving approximately \$400,000 to complete the balance of project activities.

Both PW and the Project Officer are concerned about the level of funding remaining to complete the project activities. One reason for the paucity of funds at this point in the project can be attributed to the Panama Country Assessment. This effort was unforeseen at the beginning of the project and its scope was far more involved than the country assessments performed in Colombia or Costa Rica (the Panama assessment took a 10-person team three months at a cost of over \$230,000 while the others, less detailed and urgent in nature, took a 4 person team a few weeks at a cost of approximately \$30,000). The Project Officer is

attempting to obtain additional funds that have been obligated for this project to overcome the shortfall.

The Panama Assessment was certainly worth the cost since it has resulted in the first A.I.D.-funded project to implement the IFMS as a consequence of the LAC/RFMIP. This is another illustration of the USAID Controllers' remarks that future contracts must contain enough flexibility so that it can respond to these types of emergency situations without adversely affecting other planned project activities (see Section IV on Phase II contracting ideas for a further discussion of the contracting issue).

Based on the current scope of work, the remaining planned project activities to be completed before May 1992 by PW include:

- support of and participation in at least five more regional, sub-regional, and country-specific conferences;
- conduct training activities such as Financial Management for Financial Managers, Financial Management for Non-financial Managers, Combatting Economic Corruption, Operational Audit Course;
- publish and distribute four issues of the newsletter;
- complete design of Costa Rica operational training course and submit for Project Officer approval;
- prepare manual on PC-based accounting software;
- sponsor one Donor Working Group Meeting and support four others;
- prepare book on the IFMS, prepare introduction to IFMS course, prepare paper for presentation at the XIX Inter-American Accounting Conference;
- collect and report baseline information on eight LAC countries;
- complete financial management database;
- carry out several more success surveys;
- complete long-term financial management improvement strategies for Costa Rica and Colombia;
- finalize and obtain Project Officer approval of LAC Bureau Financial Management Strategy Statement.

PW and the Project Officer must immediately meet to determine whether the time and resources exist to complete the remaining project outputs. Acknowledging that the LAC/RFMIP should remain innovative and experimental in nature, the remaining activities should be prioritized and any new ideas put on the table for consideration at this time. If additional funding is going to be sought, this process should be initiated immediately. The contract between PW and A.I.D. should then be annotated so that project outputs are clearly spelled out and expectations for project completion are understood by all parties.

B. Project Outputs to Date

B.1 Introductory Activities and Donor Working Group

As part of the Introductory activities, PW was contracted to participate in regional, sub-regional and country-specific conferences in order to introduce the LAC/RFMIP to top government officials in LAC and gain their support, participation and commitment.

Findings

PW supported the following conferences as part of these introductory activities:

- XVI Interamerican and Iberian Public Budgeting Seminar, San Jose, Costa Rica, June, 1989, with 51 participants;
- XVII Interamerican and Iberian Public Budgeting Seminar, Guatemala City, Guatemala, May, 1990;
- VI International Conference on Government Financial Management held in Reston, Virginia, October 1989, with 166 participants;
- VII National Congress on Government Funds and Resources held in Bucaramanga, Colombia, May, 1990;
- XX Regional Inter-American Accounting Seminar held in Montevideo, Uruguay, July, 1990, with 400 participants;
- IX Congress of Latin American and Caribbean Supreme Audit Institutions held in Buenos Aires, Argentina, October 1990;
- Conference on New Developments in Internal Auditing held in San Diego, California, October, 1990.

The contractor tasks during the introductory activities include (1) providing secretariat support, (2) coordinating meetings, and (3) assisting in travel arrangements for speakers and participants.

In order to coordinate donor activity in financial management improvement projects the Donor Working Group was organized by the LAC Bureau. To date, six interagency Donor Working Group meetings to encourage communication among and to evaluate the experiences of donor institutions in financing and carrying out financial management improvements projects have been held. The evaluation team attended, as observers, the Donor Working Group meeting held April 18 at the InterAmerican Development Bank. In the opinion of the evaluation team, these quarterly meetings serve as a very effective forum for the exchange of information. However, it is the view of one of the representatives of the Donor Working Group that a more meaningful coordination effort is needed. In his opinion, it might be useful to provide for a greater coordination at the Host Government level as follows:

1. The largest donor at the host government level should be designated as the "Donor Group Coordinator" and the Donor Working Group concept be a formalized agreement between members.
2. The Minister of Finance should designate a coordinator from his staff as the "Host Government Coordinator."
3. All donor agencies should coordinate all proposed projects with the "Donor Group Coordinator."

It is the view of the evaluation team that the suggestion for enhanced donor group coordination at the Host Government level has merit and should be pursued.

The evaluation team did not travel to host governments, which would have permitted on the site observations of the effectiveness of these efforts. However, based upon the interviews held with the 174 participants of the Fifth Annual International Conference on New Developments in Government Financial Management, it appears that the support, participation and commitment of top level government officials, in most instances, is being achieved.

Conclusions

There is a need for steps to be taken to assure the continued support, participation and commitment of top level government officials to improve government financial management. To this end, it would be desirable to encourage regional and national professional groups, as well as government executives, to become more aware of the financial management improvements that are needed in Latin America and the Caribbean. These groups can be very effective vehicles for change in their respective countries and can be an excellent source of technical assistance, such as the Interamerican Center for Tax Administrators in Panama. Every effort should be given to strengthening and adding legitimacy to these organizations.

The quarterly Donor Working Group meetings serve as a very effective forum for the exchange of information. They have begun to coordinate of donor activities and have opened the door for coordination on the host country level.

Recommendations

1. Efforts be continued to maintain the support, participation, and commitment of top level government officials.
2. National professional groups should be supported and strengthened so that they can be more effective agents to encourage financial management improvements in their countries and regions.
3. Steps should be taken to include a discussion on LAC/RFMIP at all future conferences that receive project support.
4. Concrete action be taken to provide for donor group coordination at the host government level.

B.2 Regional Conferences

The LAC/RFMIP contract requires PW to hold regional specific-topic conferences or support conference activities of professional organizations. For those conferences, PW was responsible for designing the conference and selecting speakers and participants with the concurrence or advice of the individual country missions. For those conferences not directly held by PW, project-provided speakers were selected using sponsoring organizations' criteria.

Findings

Regional conferences included:

- First Interamerican Conference on the Problems of Fraud and Corruption in Government held in Miami, Florida, December, 1989, with 140 participants from 29 countries (Report released);
- IV International Conference on New Developments in Governmental Financial Management held in Miami, Florida, March, 1990, with 155 participants (Report pending);
- V International Conference on New Developments in Government Financial Management held in Miami, Florida, from April, 1991, with 174 participants;

- Course on Combatting Economic Crime held in Miami, Florida, April, 1991, with 25 participants.

In addition, three conferences will be held later in 1991:

- XVIII Interamerican and Iberian Public Budgeting Seminar to be held in Washington, D.C., May, 1991. It is estimated that 80 participants will represent 20 national Latin American/Iberian budget organizations;
- XIX Interamerican Accounting Conference to be held in Buenos Aires, Argentina, October, 1991. It is estimated that 1,000 CPAs will attend this conference.
- III Interamerican Conference of Internal Auditors, Buenos Aires, Argentina, October, 1991, with an estimated attendance of 200.

PW was fully responsible for the First Interamerican Conference on the Problems of Fraud and Corruption in Government held in December 1989 at Miami, Florida. In addition, the project has supported the printing of 5000 copies each of the Klitgaard and the Ramirez books dealing with fraud and white collar crime and has distributed these at conferences. It has also paid for the printing of posters in Spanish that address the theme of fighting fraud in government. The project will continue to provide support for materials, conferences and seminars on this topic.

The evaluation team attended the V Conference on New Developments in Government Financial Management as observers. The theme of the conference was Strengthening Accountability to Sustain Democracy. The conference emphasized (1) accountability, (2) internal controls, (3) managing public finances, (4) safeguarding government resources, (5) managing the government's cash, and (6) protecting the future of democracy, and tied in topically to the LAC/RFMIP. Content of the presentations made at the conference was timely and relevant. However, no presentation of the objectives nor status report of the LAC/RFMIP was given. For the first time, conference topics were presented in English, Spanish and French through translators to accommodate all the Latin American & Caribbean participants. Copies of these speeches in the language that they were given were available to the conferees on the last day. There is no plan to issue a summary report.

Participants supported continued support of regional professional organizations in holding such conferences. Interviews with participants indicated they were impressed with the quality of speakers and found the material to be very informative. Some participants requested that conference proceedings be made available on cassette tapes for their use. A participant stated that he has held seminars with his employees to pass on the information received in such conferences. Interview questionnaire and summaries can be found in Annex 2.

The Interamerican Accounting Association and the Interamerican and Iberian Public Budgeting Association jointly sponsored the XX Regional Interamerican Accounting Seminar held July, 1990, in Montevideo, Uruguay and dedicated exclusively to government financial

management. The LAC/RFMIP collaborated with the above regional professional organizations by providing two speakers for the program.

Conclusions

PW has met the contract requirement to hold regional specific-topic conferences or support conference activities of professional organizations. The design of the conferences held by PW appeared to be adequate.

The practice of having regional and national professional groups co-sponsor regional conferences enables A.I.D. to more effectively utilize funds designated for conferences. Where possible, professional groups should be encouraged to host this type of conference. If other organizations host a conference, A.I.D.'s participation can involve providing a speakers and paying their travel and per diem costs.

A.I.D. has supported and collaborated with a number of professional organizations such as ASIP, AIC, OLACEFS as well as the International Consortium on Government Financial Management. Supporting such meetings is a more cost effective method of support than acting as sole sponsor. Likewise, in the conference on "New Developments in Internal Auditing" held October 31 to November 2, 1990, in San Diego, California, the project financed a speaker for the conference. This collaboration keeps costs down while still enabling the project involvement in its agenda.

Interest in the LAC/RFMIP should be maintained at every opportunity there is to present a current status report on the project. Regional conferences are ideal for presenting such information. Discussions at this level can provide a better understanding of the project and promote it to high level government officials from many countries at one time.

The availability of speech materials in only one language is a shortcoming of some of the conferences. A summary report or cassette tapes made available in each language would be more suited to the multilingual gatherings. Efforts in these areas would be useful conference support activities for the project of undertake.

Recommendations

1. Support for and collaboration with regional and national professional groups be continued to assure success of future conferences. Continued effort should be made to encourage professional groups to take the lead in hosting and to support those groups sponsoring sub-regional conferences.
2. Steps be taken to produce conference reports on a timely basis for all future regional or sub-regional conferences sponsored or co-sponsored by the project. Cassette tapes of the proceedings would also be useful. These activities could be supported under the LAC/RFMIP.

3. Provision should be made to have a current status report on the LAC/RFMIP included on the agenda for all future regional conferences.

B.3 Key Financial Managers Conference

The LAC/RFMIP contract requires PW to hold at least eight two-to-three day conferences during the life of the project. In the project paper, these conferences were originally conceived as sub-regional task forces to provide for a means of cross fertilization of financial management ideas between countries. The sub-regional country groupings are (1) Caribbean, (2) Central American, and (3) Andean (including Colombia and Venezuela), and the Southern Cone countries of Chile, Uruguay, Paraguay, Argentina, and Brazil which at the present time have A.I.D. Representatives but no USAID Missions. To date, the contractor has held five Key Financial Managers Conferences as follows:

1989	First Andean Conference of Key Financial Managers
1989	First Caribbean Key Financial Managers Conference
1990	Second Andean Conference of Key Financial Managers
1991	Fourth Central American Conference of Key Financial Managers
1991	Second Caribbean Conference of Key Financial Managers

Plans are in process to hold three additional conferences before the end of the project.

In July 1990 the XX Regional Inter-American Accounting Seminar, "Governmental Financial Management: The Challenge of Efficiency," was held in Montevideo, Uruguay, co-sponsored by Inter-American and Iberian Public Budgeting Association. This seminar covered such topics as: (1) accounting as a management tool in government, (2) an integrated system for budget and information, (3) accelerating the budget process, (4) government audit by state auditors of private firms, (5) external control in the context of management efficiency. A.I.D. supported this effort by providing two speakers. The cost of the seminar was borne by the co-sponsors.

Findings

The evaluation team reviewed a copy of summary reports of all conferences held in 1989 and 1990 and planning reports for those to be held in 1991. A copy of the final report on the First Caribbean Key Financial Managers Conference was also reviewed.

The First Andean Conference held in Quito, Ecuador, in October 1989, was attended by 20 participants from five countries. The First Caribbean Conference was held in December 1989 at Miami, Florida. It was attended by 28 participants from the English speaking Caribbean countries. The Second Andean Conference, held in August 1990, was attended by 35 participants from five countries. The Fourth Central American Conference of Key Financial Managers, held in Managua, Nicaragua, was attended by 40 participants from six countries. There were no

evaluation reports provided to the participants of these conferences, so the team could not assess conferee feedback.

The evaluation team attended the Second Caribbean Conference of Key Financial Managers, held in Miami, Florida, in April 1991. It was attended by 35 participants from the English speaking Caribbean countries. The evaluators interviewed most of the participants with respect to the views on the effectiveness of the conference.

Participants included high level officials from the various Ministries of Finance, such as Financial Secretary, Assistant Secretary, Principal Assistant Secretary, Accountant General, Auditor General, and Director of Administration. Also attending were representatives from Government Audit Departments, other ministries of government. Also in attendance were the President of the Institute of Chartered Accountants of the Caribbean, Ex-President, Inter-American Accounting Association, and an economist from the private sector. See Annex 3 for list of participants. It was noted from a review of participant lists from other conferences that high level officials were frequently attendees.

A total of six presentations were included in the program at the Second Caribbean Conference for Key Financial Managers. Four of these presentations dealt with auditing/corruption as follows:

- Caribbean Development Initiative Program
- New A.I.D. Guidelines for Auditing
- Facing Up to Corruption in Government
- New Accounting and Auditing Standards in the Public Sector

The fifth presentation by Virginia Robinson was on Emerging Issues in U.S. Government Joint Financial Management Improvement Programs. The sixth presentation dealt with a case study on Financial Management Projects in Guyana. No formal presentation was made on the status of the LAC/RFMIP.

All the presentations were made by leaders in their respective fields. Many of the participants interviewed expressed satisfaction with the presentations and stated their desire to attend future conferences.

Three small group discussions were included in the program as follows:

- Group #1: How to combat corruption in government.
- Group #2: Problems in government financial management in the Caribbean and possible solutions.
- Group #3: Problems in government internal control and auditing in the Caribbean and possible solutions.

The evaluators found that the opportunity to share problems and discuss possible solutions had great appeal to most participants.

The small group discussions at the First Caribbean Key Financial Managers Conference provided a better balanced in the opinion of the team. Key topics included: (1) accounting and financial reporting, (2) Government auditing, and (3) Planning, budgeting, debt and cash management. The small group discussions at the First and Second Andean Conferences and the Fourth Central American Conference focused primarily on Government accounting, public budgeting, and government auditing. Limited coverage was also given to fraud and corruption in Government.

All of the participants of the Key Financial Managers conference that the evaluators attended indicated they had attended the prior three day conference on New Developments in Government Financial Management as well. Both conferences emphasized accountability and fraud and corruption in government issues. Holding back to back conferences may give rise to overcoverage of certain topics.

Evaluation forms were handed out to the conferees. The evaluation team reviewed the evaluations of the conferences turned in by the participants. The overall ratings were 16 excellent, two good, two average, and none as poor. Fifteen participants did not turn in their evaluation forms. Comments included: (1) provides new ideas and very fruitful interaction, (2) program was well planned and presented good topics, (3) most informative and educational, (4) good forum for exchange of ideas and common problems, (5) too many sessions: one feels saturated, particularly following the first three-day conference.

Conclusions

Overall, the project has developed an excellent approach for holding Key Financial Managers Conferences. Based on our observations of the recently held Second Caribbean Conference, the small group discussion for most of the participants was the highlight of the conference because it afforded them an opportunity to learn of solutions to specific problems of other countries. We rated the small group discussions as follows: (1) excellent participant, (2) excellent group leader guidance, (3) good coverage of various subjects, (4) good review of problems cited in last year's report, and (5) good discussion of new problems and possible solutions.

Future Key Financial Managers Conferences may be improved if a better balance on the program agenda is developed. Greater emphasis could be placed on problems in government financial management in the Caribbean and possible solutions, and less on auditing/corruption matters. The team found that the topic of fraud and corruption entered into all three group discussions anyways, highlighting the relevance of this issue to attendees.

The two day conference didn't seem to offer enough time to adequately discuss problems and solutions and should be avoided in the future. Back to back conference should also be avoided to reduce redundancy and overcoverage of certain topics.

Evaluation sheets to obtain views of conference participants, rating the effectiveness of the conference, are very valuable. It was noted by the evaluators that there were no such conference evaluation sheets for the first four conferences which made it difficult to assess their effectiveness. The scheduling should allow time near the end of the conference for participants to complete and turn in an evaluation.

Participation in the Regional Interamerican Accounting Seminar held for the Southern Cone countries provided an opportunity for A.I.D. to fill the vacuum of not having a Key Financial Managers Conference for this sub-region. It is also an avenue to promote the objectives of the LAC/RFMIP in this sub-region.

Support for and collaboration with the regional professional origination such as ASIP, AIC, OLACEFS, as well as the International Consortium on Government Financial Management has enabled the project to attract good speakers to co-sponsor the various conferences. It appears that mutual benefits accrue under this arrangement.

Based upon evaluator interviews held with participants, there is justification for continuing key financial manager conferences on an annual basis. Nearly all participants expressed the view that the opportunity to share problems and solutions with others is most worthwhile and should be continued. Many indicated an interest in attending future conferences.

Recommendations

1. The Key Financial Managers Conferences should be continued on an annual basis.
2. Future conferences should be held separately from any other conference and a three-day period of time remain the format to allow for adequate small group discussion.
3. Provision should be made to have participants at future conferences prepare evaluation sheets to rate the effectiveness of the conference. Time should be provided in the schedule to permit completion of such evaluations and participants should be required to turn them in before leaving. Such evaluations are essential planning tools for subsequent conference activities.
4. Provision should be made to continue project participation in other Regional Interamerican Accounting Seminars held for Southern Cone countries as part of this key financial managers effort.

5. Support for and collaboration with the regional professional organizations should be continued and/or expanded with respect to government financial management conferences and seminars and include topics on public sector issues in the agenda.
6. Provision should be made to update conference participants on current developments under the LAC/RFMIP.

B.4 Senior Level Training and Professional Development

The LAC/RFMIP contract requires PW to conduct a series of training and professional development activities totalling approximately 500 person hours. Training is to be conducted in areas such as effectiveness and efficiency auditing, use and development of auditing and accounting standards, financing and analysis techniques and, utilization of financial information in decision-making for financial managers and non-financial managers. Actual selection of courses were to be recommended by PW and approved by the Project Officer. Provision was made for courses to be a combination of lectures and case models with Latin American real cases to be used to the greatest extent possible. In connection with the training and professional development effort, PW was required to publish a newsletter for distribution to senior level financial personnel in the LAC region, A.I.D. Missions, other donor agencies and interested organizations and persons, up to four times annually. At the present time, distribution is based upon 5000 copies in Spanish and 4,000 copies in English.

Findings

The two areas of training undertaken to date are (1) Operational Audit Courses for the Comptroller General Office of Costa Rica, and (2) Fraud and Corruption Seminars in Panama (two seminars), Nicaragua and Haiti.

The assessment of government financial management conducted under this project for Costa Rica recommended the training of auditors in the Comptroller General Office. This activity fit nicely into the LAC/RFMIP format and was implemented. The Manual for Audit Procedures was developed under the project to be used as a tool for this operational audit training, in order to assist in planning the audit, and to help to ensure that the audit objectives were achieved in an efficient manner.

In 1989, on recommendation of Latin American financial management experts, LAC/RFMIP planned and co-sponsored a conference focusing on fraud and corruption in government. Recommendations made by the working groups at this conference were well received by the LAC Bureau and subsequently PW was requested to prepare a concept paper that became known as the Accountability Initiative.

The evaluation team reviewed copies of the summary reports of all training courses and seminars held to date. A copy of the basic concept for the Accountability Initiative developed

by PW was reviewed as well as the final report of the First Interamerican Conference on the Problems of Fraud and Corruption in Government. Also reviewed was the report on Recent Activities in Combatting Fraud and Corruption in Government presented at the V Conference on New Developments in Government Financial Management in April 1991.

The project requirement of providing training that totals approximately 500 person hours was more than fully met as noted in the following table:

<u>Course</u>	<u>No. of Participants</u>	<u>Hours of Instruction</u>
Costa Rica		
I Operational Audit Course for Comptroller General's Office	24	180
II Operational Audit Course	24	180
III Operational Audit Course	24	180
Panama		
April 1990 I Fraud and Corruption Seminar	200	40
November 1990 II Fraud and Corruption Seminar	200	16
Nicaragua		
November 1990 Fraud and Corruption Seminar	100	16
Haiti		
March 1991 Fraud and Corruption Workshop	15	4
	<u>517</u>	<u>626</u>

The above table indicates that to date, 72 participants have been trained in operational auditing, 500 have participated in fraud and corruption seminars, and 15 have participated in the fraud and corruption workshop. Hours of instruction totals 626 hours which meets the contract

requirement to conduct a series of training events totaling approximately 500 person hours of training. Additional training has been given in Panama, Costa Rica, and Honduras under Mission-funded projects related to LAC/RFMIP.

The operational audit courses in Costa Rica served to strengthen the audit process in the Comptroller General Office. To reinforce the training, the course graduates undertook operational audits of government entities. The operational audits were planned and carried out under the supervision of the PW. The Third Operational Audit Course which began on February 13, 1991 inaugurated the opening of the Comptroller General Office Training Center. On site training has now been institutionalized and a training of trainers course was held for six auditors.

The Fraud and Corruption Seminars in Panama, Nicaragua, and Haiti focused on analyzing the vulnerability of government ministries to internal corruption in each country. One of the results of the Panama seminars was the formation of employee working groups to apply the analysis and comments learned in the seminar to their own institution. The working groups developed solutions specific to their own functional areas, but in many cases suggested courses of action that could be generally applied to their ministry or department. The Fraud and Corruption Workshop in Haiti held in March 1991 analyzed the vulnerability of government institutions to internal corruption. The Workshop provided: (1) a forum for government employees to communicate their thoughts and ideas on the incidence of corruption in Haiti, (2) case studies of corruption in previous Haitian administrations, and (3) recommendations on use of incentives to control corruption.

The publishing of a newsletter to provide a forum of news items on improving financial management in public sector entities has been carried out as follows:

1989	1 issue
1990	4 issues
1991	1 issue (to date)

Three more issues are planned for publication in 1991. It is contemplated that four issues will be published each year in the future, but no sustainability plan exists for post-project publication.

The distribution of the newsletter is done on the following basis:

1. To host country officials, throughout the USAID Controller's Office.
(Note: This enables Controller personnel to meet ministry people and thus keep in touch with Host Government personnel).
2. Distribution by mail from Washington.
3. Distribution at conferences and seminars.

The evaluation team reviewed several issues of the newsletter. Its style of presentation is very eye-catching and well done. The contents cover a wide variety of topics. The lead article in the April 1991 issue ties in well with the emphasis being placed on the subject of fraud and corruption in government. The column "Who's Who in Public Financial Management" provides interesting insights to financial management matters. The "LAC/RFMIP Update" column is useful in keeping everyone informed on project progress. The listing of "LAC Region Financial Management Professional Events" serves to encourage participants to be involved in professional events and promotes LAC/RFMIP activities.

The evaluation team determined through its interviews with conference attendees that the newsletter serves a very useful purpose and is rated as a good publication. Some expressed the view that its contents could be broadened to include articles dealing with financial management problems and the results of reform efforts that have been undertaken. Several conference participants indicated that they did not receive the newsletter. This would indicate that the distribution system might be improved.

The evaluation team attended the V Conference on New Developments in Government Financial Management. During this conference team members conducted interviews held with conference participants that brought forth the following observations concerning training and professional development needs:

1. Training needs are great in all areas of financial management.
2. Good training available at the national level but not very good at state and local levels. Need more financial management training for mid-level staff.
3. Need lots of training in all ministries. Need courses in financial management for non-financial managers in the operating ministries. (The evaluation team found that many participants felt that ministry heads, as political appointees, lacked even fundamental understanding of financial management.)

Coincidentally on this last point, PW is in the process of finalizing the development of a course on financial management for non-financial managers that will address, in general terms, topics such as financial administration, public budgeting, debt management, treasury, accounting, control, and audit. There will also be a course for financial managers that will cover these topics in greater detail. Both of these courses will be given in Chile later this year.

Mr. Edward Rowe, former Deputy Auditor of Canada, a member of the evaluation team and a recognized expert in financial management issues in Latin America proposed that the A.I.D. may also consider sponsoring a Regional Financial Management Institute where government financial managers could receive training in state of the art methodologies in financial control, accounting and auditing standards.

In the logframe of activities to be carried out under LAC/RFMIP, PW proposes the publication of a textbook for new approaches in financial management that will stress the importance and explain the function of using an IFMS to achieve effective and efficient management of resources.

Conclusions

The operational audit courses developed and presented in Costa Rica and the Fraud and Corruption Seminars in Panama, Nicaragua, and Haiti fully met the contract requirement of conducting a series of training events totalling approximately 500 person hours of training and professional development.

With reference to the operational audit courses conducted in Costa Rica, it is important that follow-up visits are made to verify that new methods of audit are being effectively carried out.

The newsletter has wide distribution and is considered to be very informative and useful. The style of presentation of the newsletter is very eye-catching and well done. The contents cover a wide variety of topics. However, the contents should be broadened to include articles dealing with financial management problems and the results of improvement efforts that have been undertaken. The fact that some conference participants that the evaluators interviewed did not receive the newsletter indicates more extensive distribution is needed.

The publication of supplemental material in Spanish stressing the importance of integrated financial management is necessary since nothing exists in Spanish on the IFMS. Such a publication could be in the form of a textbook or a pamphlet publication. It could be distributed through ROCAP's RTAC program.

Recommendations

1. Provision be made for a follow-up visit to Costa Rica by the project staff to verify that the new methods developed are being effectively carried out. A determination should be made that the trainers who were trained at the Operational Audit Course are continuing to train additional auditors using the new auditing techniques.
2. Steps be taken to conduct additional Operational Audit Training Courses in other countries modeled on the training course held in Costa Rica.
3. Steps be taken to encourage the use of the Manual of Audit Procedures developed in Costa Rica as a model to follow in preparing audit manuals for other countries.
4. Fraud and Corruption seminars should continue to be offered on a country by country basis.

5. For the newsletters, it is recommended that (a) the newsletter continue to be published on a quarterly basis, (b) continuing efforts be made to improve the distribution of the newsletter, and (c) the contents be broadened to include more articles dealing with financial management problems and success stories researched under the project. In addition, PW and the Project Officer should draw up a plan for sustaining the newsletter once this project is completed.
6. The continued development of supplemental material in Spanish focusing on the importance of IFMS.

B.5 Technical Assistance to Missions and Host Countries

The anticipated benefits of involving technical advisors under this project are to increase the emphasis on sustainability of financial management improvement activities, to establish regionally consistent baseline information to measure progress, to include these activities in a lessons learned assessment for developing long-term methodologies, to provide continuity and consistency of application of approaches to improve host country financial management, and finally to put into practice the A.I.D. Assistant Administrator's request to focus on improving financial management and audit.

The original project paper envisioned using full-time and short-term consultants to assist Missions or host countries in designing up to four financial management activities. The original contract anticipated using up to 23.5 person-months of U.S.-based and up to 12.5 person-months of locally-based professional services. Some activities were to be encompassed under the LAC/RFMIP while others could have been mission and country responses to increased emphasis on improving host country financial management.

The PW contract was modified under amendment #2 (see Annex 4) to provide technical assistance in the design, testing or evaluation of financial management activities. This amendment expanded the technical assistance scope to include testing in addition to the design and evaluation components of the original contract.

Findings

To date PW has carried out five distinct activities under the technical assistance component of the project. These activities are:

- a technical assistance design for improving government financial management in Panama (planned under LAC/RFMIP but funded under separate contract);
- a technical assistance design for improving government financial management in Costa Rica;

- design of a model Comptroller General Office in Costa Rica;
- design and implement an operational audit training course in Costa Rica (discussed in section B.4);
- install and test a personal computer-based accounting system in Guatemala.

A sixth activity, to design technical assistance for the Organization of Eastern Caribbean States, was initiated during this evaluation.

These activities were selected over others based on several criteria. All activities were originally identified either by LAC/RFMIP personnel or USAID Mission controllers and submitted to the LAC Senior Financial Management Adviser (the Project Officer). The projects were then evaluated by the Project Officer and PW to determine their "fit" with project objectives and whether it would add to the knowledge/testing of constraints. Another important criterium was an assessment of the degree of commitment on the part of host country government officials to undertake the proposed project (see Annex 5 for LAC RFMIP Project Request Processing Procedure).

Total technical assistance to date has required 13.6 person months of U.S. technical assistance, and 24 person months of local technical assistance (this does not include the Panama assessment that was under a separate contract and required 10 person months of U.S. and 31 person months of local technical assistance).

The need for a technical assistance design for Panama was a result of the assessment activity performed by a PW team in early 1990 (reviewed in B.7). Since project funding from this contract for the Panama assessment was unanticipated (at a cost of over \$230,000) and severely impacted other planned project activities, a separate contract was signed by USAID/Panama and PW for the TA design work under Panama's "Immediate Recovery Project" (Despite not being a funded activity under LAC/RFMIP, the Project Officer felt it important to include a discussion on it in this evaluation). This design work was completed in October 1990. Both the assessment and the design were a direct result of emergency U.S. technical assistance provided to Panama after the fall of the Noriega regime.

The Panama technical assistance design is for a five year project to improve government financial management, audit and accountability through installation of an IFMS. The design includes detailed analyses on:

- overview of governmental management and auditing;
- general summary of problems and recommendations;

- project design, including sections on goal, objectives, approach, scope, terms of reference, organization of project development, time schedules, a logframe and milestones;
- assumptions and conditions for project success;
- alternative strategies;
- economic analysis of the project.

The project design and assumptions and conditions sections of the design are excellent, outlining a well thought-out implementation plan including objectives and a logframe with milestones, with a discussion of conditions precedent to attain project success. In addition, the Panama design contained appendices discussing existing computer hardware and equipment needs and cost, and provides details on the proposed financial systems and subsystems, training requirements, and qualifications of project personnel.

The original design has been used to develop a project paper that the AID/Panama Mission Controller is putting out for bid. Due to what it felt was a very expensive intervention if carried out by a "Big 6" accounting firm, the Panama Mission has reworked the initial design and has allocated \$6.3 million for the intervention instead of \$9 million originally projected by PW. The Mission has reduced costs by scaling-back considerably on the proposed computer systems improvements, by making the RFP available only to 8A firms, and by planning to contract all of the secretarial, training and data processing work with Panamanian firms.

The "Proposal for Improving the Government Financial Management System of the Republic of Costa Rica" technical assistance design was also a result of an assessment carried out by PW in late 1989 at the request of the Government of Costa Rica and USAID/Costa Rica. The assessment report contained a series of short- and medium-term recommendations to improve weaknesses in the governmental financial management systems. These recommendations were incorporated into this design. The design includes a discussion on a proposed work plan that details the background, objectives, actions required, level of effort, and a consultant profile for persons needed to carry-out the technical assistance.

In both the Panamanian and Costa Rican designs, PW reviews the government's legal framework, budgeting, public debt, treasury, accounting, human resources, information, and auditing and control systems and makes recommendations for improvements. Also in both cases, an argument is made for the establishment of an **integrated financial management system** (IFMS) and a **comprehensive audit process** (CAP). Both the IFMS and CAP are prominent elements of the LAC Bureau Strategy for financial management improvement and are state of the art systems for government financial management (see section B.11).

The design of a model Comptroller General Office in Costa Rica was a result of a pre-project request from the Comptroller General. The PW assessment in Costa Rica also highlighted

several problems with the Office's basic organization, the need for better trained auditors, and the need for planning within the audit section.

The design, similar to that successfully installed in Honduras by PW under a separate contract, features the establishment of a training center for auditors and emphasizes the importance of planning and establishment of quality assurance standards. The Honduras project was funded under the same obligation as this project and, according to a recent evaluation, has improved the ability of the Comptroller General Office auditors to the level where they are performing modern-style audits.

Part of the problem with the Costa Rican Comptroller General Office is that the work load has been responsive in nature, not planned. That is to say that the Office would perform audits as a response to government or political requests, not in any systematic way. As a result, the Office performed only 6 audits last year. The new design establishes a special research unit to handle these types of requests, and a financial and operational audit unit to perform the regular annual audits.

This proposal met with some opposition from the Comptroller General's technical counterpart, and PW revised the plan to the satisfaction of the counterpart. The plan has been presented.

The need for a personal computer-based accounting software package was first identified by Gary Billesby, formerly the LAC Controller and first LAC/RFMIP Project Officer and currently the Controller for USAID/Guatemala. He recognized the need for a system that would enable donor-assisted organizations, especially government entities, to be able to produce two distinct sets of reports, one set for the central government and the other for the donor organization, in this case A.I.D. An essential element of such a system would be its compatibility with existing systems so that customizing, and as a consequence training, for each installation could be kept to a minimum. Another important element of the system would be its cost, so that it would be affordable for smaller recipient organizations.

The personal computer-based accounting system has been installed in a unit of the Ministry of Agriculture in Guatemala to track A.I.D.-project funding. Billesby felt that this installation would be an ideal trial for the package since the Ministry manages several USAID-funded projects involving technical assistance, commodity procurement, and the like.

The selection of a software package involved a thorough review that is amply documented in PW records. Of the twenty-nine packages that were initially identified, information was received from 18 companies. The packages were then reviewed and rated based on their accounting and reporting capabilities, availability in Spanish and English, and whether technical support was available throughout the LAC region (packages reviewed and rating criteria presented in Annex 7). PW then utilized its "Systems Management Methodology", a state of the art systems evaluation format that has been a PW practice area for years, to evaluate the make the final selection.

As a result of this process, a system called TECAPRO was selected. In addition to its technical capabilities, which meet and exceed those sought by PW, the software company is headquartered in Costa Rica, a location that lends itself to timely technical support in the LAC region. This software is currently being used by several A.I.D. contractors in the region, most notably Planned Parenthood, with great success. System purchase and installment at the unit will cost from \$6,000 to \$7,000. Simultaneously, the unit is using a local consulting firm to upgrade its chart of accounts system, which has delayed the implementation. Billesby said that PW has done an excellent job coordinating the system installment with the local consulting firm.

The current status at the time of this evaluation is that the software is up and running in tandem with the Ministry's old accounting system and they expect conversion to be complete in the next month or two. Ideally this system will be able to process reporting requirements of all donors which should greatly facilitate recipient financial reporting. Billesby is so pleased with the TECAPRO system that he has requested procurement waivers to purchase 20 additional software packages.

Conclusions

The technical assistance design work under this project demonstrates the usefulness of this type of activity to LAC Missions. For example, the Panama technical assistance design, although completed under a separate contract, provides a very workable model for application in other LAC countries. It details the steps necessary for implementing an IFMS. In addition, it is an important tool that can be employed to identify weaknesses and propose solutions so that a Mission can plan future technical assistance. It is the opinion of several A.I.D. controllers and the LAC Senior Financial Management Adviser that this activity fills a very important need in the LAC region.

The model Comptroller General Office in Costa Rica used a design that had already been successfully designed, tested, and evaluated in Honduras under a separate contract, with adaptations to local conditions, to recommend fundamental organizational changes. The draft model has been presented to Comptroller General Office.

PW performed an extensive review of P.C.-based accounting software and applied state-of-the-art evaluation techniques in order to come up with a package that meets the needs of the user groups as identified by PW and A.I.D. System installment, although a complex undertaking due to a simultaneous redesign of the user's chart of accounts, has been moving ahead smoothly and at a reasonable cost to A.I.D. It is the opinion of PW as well as the USAID/Guatemala Controller that this system is flexible and readily adaptable to most donor reporting requirements, that the system can be used to download accounting information into a Central Government mainframe, and that adequate regionally-based support is available through the vendor. All indications are that the software package is the correct choice and that once running and debugged, will be ready for application in other agencies in Guatemala and other LAC countries.

Recommendations

- 1) The technical assistance design work performed by PW, although expensive, represents a state of the art approach to the problem of implementing an integrated financial management system on the central government level and if this is the objective of the project, then their approach should be continued.
- 2) Obtain acceptance of and implement the model Comptroller General Office in Costa Rica. Once installed, this Office and the Honduras Comptroller General Office should be monitored to verify the validity of the model and if possible, the model should be used elsewhere in the region.
- 3) Given the successful identification and installation of the TECAPRO software, efforts should be made by A.I.D., either through the LAC/RFMIP or other forums, to make the software available to other users in order to improve financial reporting to A.I.D. In addition, by coordinating through the Donor Working Group, other donors could be apprised of the software and efforts could be undertaken to begin to standardize monitoring and reporting requirements in order to allow recipient organizations to produce uniform financial reports acceptable to all donors. Recognizing that Haiti could use a similar software package, converting the TECAPRO into French would allow all A.I.D. Missions in the region to use a uniform software package. This would also enable application of TECAPRO to the Africa region.

B.6 Baseline Information on FM Performance

The LAC/RFMIP contract contains a provision for the contractor to develop a methodology for quickly evaluating the financial management performance of host countries (HCs). The purpose of collecting the baseline information is to have a benchmark against which to measure progress of HCs. The methodology must be simple and easy to utilize so that countries themselves can measure their own progress in the future and compare with past results. The methodology has to be approved by the Project Officer. Up to ten countries will be included for collection of baseline data using the methodology developed by the contractor under the LAC/RFMIP. The countries will be selected by PW and approved by the Project Officer.

Findings

PW prepared a terms of reference (TOR) document for development of a methodology to collect baseline information on financial management performance. The TOR tasks required the contractor to identify 20-30 indicators of financial management performance that could be used in any of the ten countries selected for data collection. Since it is not necessary that the data collection results be comparable from country to country, data will be collected in each country on only about ten of these indicators. These ten indicators will be determined in-country

by the on-site team leader, based upon country-specific factors such as the ease of collection and the reliability of the information. The financial management functions which are the focus of the LAC/RFMIP, i.e., budgeting, accounting, cash management, debt management, and audit were the performance areas covered in the contractor's original draft of the methodology and baseline data indicators. After a review by PW, the performance areas to be covered were changed to include environmental control factors and contract management. Also based on this review, cash management and debt management were consolidated. These changes were made in order to quickly identify constraints that exist in a particular country to implementing an IFMS.

PW recently completed baseline studies in Honduras and Costa Rica. These two countries were selected because the contractor had staff remaining in-country who had just completed work on country-specific projects. Rationale - it is more cost effective to combine work assignments where possible. The results of the two studies have not been finalized. The completed baseline/methodology reports will be forwarded to the A.I.D. Mission Directors and Controllers of the respective HCs for their information and use. The contractor currently plans to collect baseline data in Bolivia, Dominican Republic, Ecuador, Guatemala, Haiti, and three other countries yet to be identified in the LAC region.

Conclusions

The baseline data indicators and methodology developed by the contractor is objectively verifiable criteria that will quickly measure the relative levels of performance of a HC financial management system. The same methodology can subsequently be used to measure progress. Some revisions to the data indicators might be appropriate after the contractor finalizes the studies recently completed in Costa Rica and Honduras. The final baseline/methodology reports will be forwarded to the A.I.D. Mission Directors and Controllers of the respective countries for their information and use.

Recommendations

- 1) PW and the Project Officer need to identify three additional countries where baseline data will be collected under the LAC/RFMIP. PW should prepare a schedule for completing the eight remaining baseline studies within the contract period and obtain approval from the Project Officer for the proposed schedule.

B.7 Conduct Country Assessments

As part of the strategy development process of the LAC/RFMIP, PW was contracted to develop a methodology for identifying the constraints to improving host country financial management, identify the needs to overcome the constraints, and develop a long-term strategy for improving the financial management of the country. The methodology must be applicable throughout the LAC region, with minor country-specific modification in order to assure that

others can use the same methodology elsewhere and obtain comparable results. This methodology was to be approved by the Project Officer.

The original contract was modified from four or five country assessments to three. The original countries were to be Colombia, Costa Rica, Dominican Republic, Bolivia and an English-speaking Caribbean country as agreed by the Project Officer and PW. However, events at the end of 1989 in Panama, and the installation of the new government there, shifted the focus of country assessments to Panama. As a result, the second contract amendment dropped Bolivia and Dominican Republic and added Panama. Further, the second amendment dropped the requirement that PW use local professionals for most of the assessment work. However, almost all PW's staff in the region are Latin American nationals.

PW was to prepare a report containing results of the assessment, including identification of constraints and needs, preliminary identification of possible activities to initiate early on, and a long-term strategy for the country. These long-term strategies are to be prepared after several countries have been evaluated, and if necessary, modified during the life of the project as additional evaluative data is gathered.

Findings

At the time of this evaluation, a country assessment methodology has been developed and submitted to the Project Officer for approval (copy of assessment methodology in Annex 8). In addition, three country assessments have been performed using this methodology and presented to the Project Officer, USAID Missions, and the respective governments for approval. The three countries assessed are Colombia, Costa Rica, and Panama.

The assessments were developed by setting up institutional samples representative of the public sector financial management. The areas assessed in each case included budgeting, public debt, treasury, accounting, electronic data processing, auditing, and public contracting and public works control. The samples within each government include not only the ministries of finance, planning, and the office of comptroller general, but other government entities such as ministries of health or agriculture, decentralized institutions (parastatals), government-owned industries, and municipalities.

Each assessment adheres to the methodology nicely and are generally similar, but some differences exist. In the Colombia and Costa Rica reports contain a descriptive section, an analytical section with conclusions and recommendations for actions, and finally a profile for technical assistance intervention including objectives of the intervention, specific actions required, anticipated level of effort, and profiles of technical consultants needed to carry out the work. The Panamanian assessment uses the same format as above but does not address a specific ministry but rather makes general recommendations. In addition, no profile of technical consultants is provided.

The assessments did an excellent job in analyzing the different capabilities found within and among ministries and agencies of a particular government. For example, in Costa Rica the systems in place in parastatals and government-owned companies are found to be adequate, those on the central government level have several deficiencies, and large problems were found on the municipal level. There were also excellent reviews of existing legislation as it pertains to financial management in general, and the legal basis for control and audit in particular.

These assessments have been the catalysts for some encouraging events. For example, the Panamanian assessment was presented to the new administration in that country and as a result new code of ethics legislation governing the public sector was promulgated and the government with A.I.D. assistance, has used the assessment to design a new project that will be implemented beginning this year. According to the A.I.D. Representative in Colombia, the assessment's analysis of the flow of public funds has sparked interest on the Controller General level. They are very interested in implementing an IFMS.

Although these country-specific assessments have been completed for at least a year, there has been no long-term strategy developed for any of them. PW and the Project Officer agreed to hold off on country-specific strategies until the LAC regional strategy was completed and approved. At the time of this evaluation that document was in the final draft stage.

An important aspect of an assessment that was missing in the eyes of the evaluation team pertained to the environmental conditions precedent at the time of the assessment. Although the first question of the Overview section of the assessment guidelines requests information on the "environment" and "climate", the actual assessment documentation contains little discussion of the political, social, and economic conditions as they pertain to the current state of financial management in the countries. In addition, there is no mention of the "climate" or political will within the country for the implementation of this type of activity. As well, there is no discussion concerning the extent that fraud and corruption is a problem and what effects has its existence had on financial management problems, and what is being done to attack it. In the area of training, specifications of trainer qualifications were spelled out, however, little is said about specific training requirements and skill levels of personnel requiring training. Finally, neither the assessment guideline nor reports comment on the availability of local technical assistance that could be employed to help implement recommended changes.

Conclusions

The methodology is adequate to accomplish the objective of assessing the financial management capability of the government sector. In addition, the methodology was successfully used in three different countries in the region without modification. The results of the country assessments have impacted the government sector concerning the effectiveness of their financial management systems. The Panama and to a lesser degree Colombia assessments prompted the government to take steps to implement the recommendations.

The coverage of legislative authority for effective financial management is a crucial element of consideration, for without a legal framework in place that legislates effective financial systems and controls, technical assistance will be fruitless. The assessments are especially good in their legal analyses and recommendations.

Although the assessment methodology does consider the environmental and climatic aspects of the country, no mention of them is found in the summary reports. The evaluation team feels that this is a rather important oversight as this information is a crucial element in determining whether an effort can proceed as well as succeed. If the political climate calls for rain on a given day, its best to stay home and wait for the storm to pass.

Recommendations

1. The assessment methodology should be tested and refined in more countries, including those in the Caribbean.
2. The environmental assessment of a country must be made as well. Analysis of the current political climate, the level of corruption, economic and social conditions should be made and presented in these assessment reports. However, care should be given to the presentation of this information since this will be a public document. As well, recommendations on conditions precedent that are necessary for proceeding with technical assistance may serve some purpose.

B.8 Financial Management Database

The November 1984 GAO Report to the Administrator of A.I.D. recommended the need for a database to document contracts and cooperative agreements that have included financial management assistance components. The original design team also recognized this as an essential element to promote donor coordination of financial management improvement projects in the region. The Donor Working Group has also cited lack of donor coordination as a major problem and has recommended some sort of project monitoring system. The basic idea of the database was to have an historical perspective of intervention activities so as to better plan for future activities and to avoid duplication of effort and wasted resources by donor groups. It was anticipated to be used by any donor organization in its planning, design and evaluation of financial management improvement projects.

The LAC/RFMIP contract called for PW to create a database of information on all financial management activities being carried out by A.I.D. and other donors, either as direct activities or as part of other projects. The contract states that the database should contain sufficient information to identify activity cost, beneficiaries, purpose, types of activities, funding type and source, baseline information available, evaluation information, and indicators of success or failure.

Findings

The evaluation team obtained a copy of the current financial management database updated through April 1991. The database contains approximately 100 projects completed since January 1, 1987. This cutoff date for project inclusion in the database was agreed to by PW and Project Officer. The database includes projects that either have a significant component or are entirely devoted to improving the financial management capability of government agencies. The database is set up on dBase IV software and has required approximately 5 person-months of contractor time to get up and running. PW anticipates that it will require approximately 1 person-month per year to maintain the system.

The system consists of projects undertaken by the Agency for International Development, United Nations Development Program, the Organization of American States, the World Bank, and the Inter-American Development Bank. The International Monetary Fund has declined to release information to PW concerning its financial management projects, citing confidentiality of its clients (the IMF does not finance projects but does provide short and long-term technical assistance). Forms were sent by PW to these organizations requesting project information, but due to the paucity of response from these donors, extensive PW staff time was required to research and perform interviews with project officers to complete the database. This has been the major impediment to the completion of this activity.

Another implementation problem involves tracking down all activities that a donor may be funding. For example, PW visited the United Nations and was able to obtain most of the information on its home-office funded projects, but no information on locally funded, in-kind and local-currency projects. There has also been some reluctance on the part of donors, including A.I.D. as well as the IMF, to release information on their activities, especially to a contractor. An unanticipated benefit of the process was that at least one donor, the United Nations, realized that their data on projects was incomplete in several areas and it decided to follow-up with its own staff to improve its monitoring system.

The database contains the funding agency name, country and region of project, project name, number, start and completion date. The project objective is followed by a narrative project description. Other information includes the type of financial management activities that are the focus of the intervention, the executing agency, beneficiary organization, type of institution, type of assistance, contractor, funding agencies and amounts funded, evaluation information and project officer information (see Annex 9) for an example of database printout).

PW has indicated that it is still in the process of completing the database information, but it is estimated to be 90% complete (excluding IMF data). Although available for use by all donor group members, to date the database has remained unused.

Conclusions

The output of creating a current financial management database is very close to being completed. It is estimated that a total of 5 person-months of staff time will have been devoted to this effort. The database could be a useful tool in project planning if it is properly promoted and utilized by donor groups. The question remains whether its use will justify its cost. In addition to the lack of IMF data, there are also some questions regarding the scope of the a completed database. For example, should it include all projects with elements involving financial management (including PVO and NGO activities), all centrally funded projects of this nature, all projects with 50% or more financial management orientation, etc? If so, the resources necessary to pull it together would be greater. There also needs to be more donor cooperation to maintain the system in order to avoid costly research by the entity that ultimately ends up managing the database.

Recommendation

- 1) A.I.D. and PW, possibly with the assistance of the Donor Working Group, should decide if the resources required to complete and maintain the database warrant its end value. If there is a decision to keep the database, this same group should decide on how the database will be sustained after the completion of the project. Should A.I.D. take over its maintenance, or should it be under the auspices of the Donor Working Group, or perhaps another donor who has the resources to take over the system upkeep.
- 2) PW, with the assistance of the Donor Working Group (the most obvious end-user), should determine clearer criteria for the projects to be included in the database. It is evident from the work already completed that obtaining information on additional projects will be done at a greater marginal cost. Some sort of a cutoff should be established.
- 3) In addition, and with the commitment of the Donor Working Group, better cooperation must be pledged to update financial management activities in the database. The start-up of the database required extensive research on the part of the PW despite the fact that each donor was asked to provide information on their projects. Contact persons who will be responsible for reporting their organization's financial management projects should be appointed and held accountable for future updates.

B.9 Evaluation of Other Financial Management Activities

The contract calls for PW to develop a methodology to selectively evaluate financial management activities for the purpose of providing information on lessons learned that can be used as an additional tool in developing more informed long-term strategies. Once this

methodology is approved by the Project Officer, PW will use it to carry out financial management success surveys in the LAC region. No reference is made in the contract documents concerning the number of success surveys that would constitute a fully executed activity.

Findings

PW has on file an "Evaluation Methodology for Activities in Public Financial Management" that it uses for performing its success surveys. This methodology has been reviewed by the Project Officer. The methodology calls for a review of the following areas of the activity being evaluated: legal and normative, planning, organization, leadership, control, coordination, human resources, information systems, and technical policies and procedures (see Annex 10 for methodology). The methodology has been developed in English and Spanish. The end product of the assessment is to produce a case study-type report that focuses on key elements that contributed to a successful activity.

There have been no absolute number of success surveys required under the project. The reason for this is that successes are finite, that they can only be identified as they occur, and in addition, budget considerations have become a limiting factor. To date, two success surveys have been performed by PW. The success surveys were performed on the Office of the Comptroller General of Puerto Rico and the PL 480 program in Bolivia.

The Puerto Rican case involved the changes that a new Comptroller General had implemented, beginning with the establishment of clearly defined objectives for the Comptroller General Office, and the aggressive implementation of these objectives. The primary lesson learned was that "strong leadership and the motivation of all employees" were the key elements of success.

A review of these objectives revealed that a number of them were met or exceeded, including: the number of annual audits performed and reports completed exceed 50% of government entities; establishment of a contract registry provides timely contract information to managers; purchase and staff training on computer packages allows each team to have its own personal computer and printer and the capability to use Lotus 123, WordPerfect, and a statistical package; institution of Achievement Day where each employee participates in establishing objectives for the coming year; recruitment and retainage of qualified personnel by providing higher pay and training; introduction of a fraud detection auditor group that has received special training to investigate cases of fraud; audit follow-up process to ensure that there is coverage of audit recommendations, including a requirement that each agency provide corrective measures within 90 days of receiving the report.

Interestingly, the Comptroller General has insisted upon the establishment of new goals for the Office as old ones are achieved. This assures continued improvements and efficiencies of the Office. The lesson is that establishment and pursuit of goals play a major role in measuring the effectiveness of the Comptroller General's Office in particular, and the efficiency of the government of Puerto Rico in general.

The Bolivian PL 480 case involved the potential cutback of U.S. food assistance as a result of numerous problems with the Bolivian program that were the subject of a USAID Inspector General audit. Principal among the problems was the accountability of PL 480 funds by the Executive Secretary's Office of the Ministry of Finance. The Inspector General's report recommended placing all PL 480 proceeds into a commercial bank when transacted, so that interest could be earned until the time these funds were to be used for development projects.

The Government of Bolivia accepted these findings and reorganized its Executive Secretariat to make it more autonomous as a result. The Executive Secretariat was removed from the Ministry of Finance and instead reported directly to a Cabinet-level position, was given its own budget, and was able to establish salaries in excess of the government's salary cap. It also began an internal training program. All of these steps led to a less politicized organization with a more professional staff and lower turnover.

As for impact to the PL 480 program, the benefits to USAID and the development assistance programs have already been felt. Local currency is more readily available and it earns interest. Most importantly, since it is in a commercial bank, there is accountability of the funds. In addition, staff on the Bolivian side are better trained and motivated. All of this has led to a more efficient and accountable development assistance program.

Conclusion

According to PW, the methodology used in the success surveys, albeit extensive in appearance, provides a very useful framework for undertaking these types of case studies. In each instance, as more information about the case was obtained, the study was refocused to concentrate on the relevant areas. But in both cases, it was important to follow the established process to avoid overlooking data that may have contributed to the success story.

It is obvious from the above-cited cases that there can be innumerable roads that lead to more effective government financial management systems and ultimately more efficient use of government resources. But as these two cases also amply demonstrate, it is the will of government administrators and government in general (politicians) that promote the change.

It will be interesting, as more of these cases are identified and presented, to study the catalyst behind the changes, and to attempt to replicate those elements of the case in other parts of a government and possibly in other countries. Only as other successes are presented will meaningful data be extracted to furnish project implementors with new ideas.

Recommendations

- 1) The Project Officer and PW should pursue other success surveys in order to adequately test the methodology and to provide sufficient data on lessons learned. The contract is very vague with regard to the number of surveys required. With contract resources tight, the Project Officer and PW should attempt to identify

success surveys that can be undertaken in conjunction with other ongoing activities.

- 2) These surveys should be refined and presented to financial management professionals in the region. This could be done very easily through the newsletter, and should include a discussion on the reasons for success. Taking this idea a step further, these success surveys could be turned into case studies to be used at Key Managers Conferences. Exposure to real-life stories can be an effective catalyst for change.

B.10 Identification of Potential Activities

In order to augment consideration of a diversity of projects considered, one of the elements of the contract included identification of potential activities. Throughout the life of the project, A.I.D. and the PW have been presented with a large number of potential activities. Other donors, Missions, and HCs have had ideas for projects. Once assessments and baseline data have been collected, PW is required to analyze such activities and present ideas of its own for project implementation. Information developed by PW through country assessments and baseline surveys that fall outside the scope of LAC/RFMIP may be referred by the Mission and/or HCs as PW and the Project Officer deem appropriate. Missions and HCs will need to evaluate these and other proposals to see what other sources of funding, if any, are available from within the country or from other donors. One such proposed work plan for improving the Government Financial Management System of the Republic of Costa Rica was prepared by PW based on the results of the country assessment carried out between October 16, 1989, and November 14, 1989. The proposed work plan was shaped around the terms of reference and presented in accordance with the financial management subsystem to which it pertained. Many aspects were tailored to the unique conditions that the assessment of Costa Rica's financial management system identified.

Findings

PW developed administrative procedures to effectively manage technical assistance requests under LAC/RFMIP. A control mechanism was established to ensure a prompt response to the proposals and guarantee careful consideration of the merits of each request. Of the 29 requests for technical assistance received, approximately half were submitted by LAC governments and quasi-governmental institutions and the remainder from regional organizations. A total of 14 requests for assistance were approved by the Project Officer and PW including eight related to conferences, seminars, and training, three country assessments, two special assessments, and one reorganization of the Comptroller General Office in Costa Rica. Eleven requests were rejected due to (1) inadequate justification, (2) falling outside the scope of the project, or (3) overbudgeting; one proposal was funded by another donor agency; and a decision is pending on the three remaining proposals. Most of the funds provided in the contract for potential activities have been utilized. PW plans to recommend to the Project Officer that no new activities be approved for funding under the existing project (see II.A.). Requests for

technical assistance received during the remaining year of this project considered appropriate for funding would be held for a follow-on project.

Most requests for technical assistance were initially directed to the Project Officer for consideration. The remainder were forwarded to the Project Officer from various LAC Missions. All requests for technical assistance were then submitted to PW for analysis and review. Results of the PW's efforts were then presented to the Project Officer for a decision. The requesting party is then advised of the decision regarding implementation of each proposal.

Conclusions

The evaluation team believes the administrative procedures developed by PW are adequate to perform the necessary review of technical assistance requests. Many of the requests received were inappropriate, fell outside the scope of the project or were overbudget. This indicates that some of the LAC governments and regional organizations submitting requests for technical assistance do not have an understanding of the scope of the LAC/RFMIP or may need help developing project designs.

Recommendation

- 1) If a second phase project is approved and funded, the Project Officer should disseminate information describing the goal and purpose of the project and containing guidelines for submission of technical assistance requests from LAC countries and regional organizations. This document could also describe potential activities appropriate for funding under the LAC/RFMIP. It could be presented as a handout to appropriate HC government representatives at future conferences and seminars supported by the LAC/RFMIP through the newsletter.

B.11 Prepare LAC Bureau Strategy

The LAC/RFMIP contract states that no later than 18 months after the contract start-up, PW would provide a preliminary LAC Bureau strategy for improving host country financial management throughout the LAC region. The contract states further that the strategy should take into consideration existing activities, other donor resources and interest, the relative importance placed on financial management by host countries, A.I.D., and other donors, and the results of PW country analyses.

The keynote of this strategy is to be realism not idealism. In order to ensure that the strategy is realistic and pragmatic, PW must test certain components on a country-specific basis. PW must then conclude if the approaches are operable, transferable, and replicable. Further, PW must revise the LAC strategy at least every six months and will present a final strategy document at the end of the contract period.

The initial draft of the strategy paper, prepared by the PW project director and reviewed by the Project Officer in Spanish, was completed during this evaluation and reviewed by the team. It was titled "Estratac" or Strategy for Accountability. In addition, various pre-strategy pieces were reviewed by the team (see Annex 11 for list of documents reviewed). The team also reviewed a concept paper for the strategy statement prepared by Leonard Horwitz titled "The Accountability Initiative" that dealt exclusively with fraud and corruption issues.

Since the Spanish to English translation of this document was still underway during the evaluation, the findings on the strategy statement are based mainly on the Spanish version.

Findings

The strategy establishes a technical framework for promotion of the improvement of financial management and control in the LAC countries. Its basic assumption resides in the fact that with improved management and control of publicly owned financial resources, inevitable changes in the management of the State will result, leading to improved efficiency and service and a decrease of fraud and corruption. The paper considers several measures that have been adopted in different countries that have yielded positive results. It begins by presenting the background and objectives of the LAC/RFMIP and summarizes country-specific activities to date. The strategy also provides a summary of SIMAFAL or the Integrated Financial Management System (IFMS) and the Comprehensive Audit System (CAS) for Latin America that have been successfully implemented in certain LAC countries.

The strategy presents characteristics of the current state of financial management and control in the Latin American and Caribbean context based on the experiences of PW and others who have worked on these problems for several years, but specifically in the following countries: Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Honduras and Panama.

The objective of the strategy statement is clearly made: to implement the IFMS in LAC region governments. This requires acceptance of the system by governments, adapting the system to specific country conditions, and increasing the efficiency of key government personnel and the technical assistance they receive.

The document emphasizes the strategy's most important characteristics including: its integrated nature; the importance of prioritizing areas of change when simultaneous change is not feasible; the recognition that this process is long-term in nature (over several decades); its emphasis on practical implementation, not assessments and planning; and communication of the requisite changes on all levels of a society to gain the commitment of the people to the process.

The statement goes on to outline courses of action to achieve the acceptance by LAC regional governments. It endorses the formation and institutionalization of a country-level promotion group (an interagency task force) made up of key public sector managers to promote and coordinate the implementation of the strategy. It also makes provision to adapt the IFMS concept to a particular country's set of conditions.

The strategy outlines the organizational, legal, and human resources necessary to establish an IFMS. But to implement, constant evaluation and modification will be necessary and represent the most critical phase of the process since "systems only become credible when they work."

Finally, the strategy statement discusses what A.I.D., both on the bureau and country level, must do in order to promote the IFMS concept. Some of the suggested activities have already begun under the LAC/RFMIP. These include the support of regional, subregional, and country-specific conferences that promote the concept and establishing the Donor Working Group as a forum for other donor input and acceptance, and most importantly, coordination. In addition, Missions should facilitate in the establishment of promotional groups in their countries and support their own national, regional, and provincial conferences, assist in adapting the IFMS to their country's conditions, and finally take the lead in establishing the IFMS.

The strategy calls for the creation of a new Mission level position, that of an Accountability Officer. This individual would act as the liaison between the Mission, the LAC Bureau Project Officer, and host-country institutions that are implementing the IFMS. In essence, this individual, envisioned as either a third-country host national or an American personnel service contractor, would report directly to the Mission Controller and indirectly to the LAC Regional Project Officer and assure technical consistency and fidelity to the integrated financial management concept.

The strategy concludes with a discussion of the importance of coordinating these activities with other donors to maximize the effectiveness of limited resources. This would be in addition to the intergovernmental coordination of an interagency task force. The Donor Working Group will be an essential forum for this type of coordination.

Although the strategy statement is still in its draft form, there has been some testing of certain components on a country-specific basis. Country assessments to look at the organizational, legal and human resource capabilities of government financial management in Colombia, Panama, and Costa Rica have already been completed. The design and planned implementation of an IFMS is nearing reality in Panama under a separate contract but with close monitoring by this project. Dissemination efforts are being accomplished through the sponsorship and support of Key Manager and other conferences and through a quarterly newsletter distributed to 9,000 financial managers in the LAC region. Baseline data is being collected in up to ten LAC countries.

Full testing of the strategy is anticipated to begin on country-specific cases late in this project and as part of the anticipated follow-on activities.

Conclusions

The LAC regional strategy represents a comprehensive approach to assess, design, implement, evaluate and sustain an IFMS effort on the LAC central government level. In

addition to incorporating an integrated approach on this level as was recommended in the 1984 GAO report to the A.I.D. Administrator, it also expands upon and enriches aspects of the ongoing LAC/RFMIP being implemented by PW.

The strategy is interesting in that it stresses the importance of a well structured model approach to assess and reform a government's financial management systems, but at the same time is flexible enough to adapt itself to country-specific conditions. If the reality is that a full bore reconstruction (i.e, installment of an IFMS) may not be politically or financially feasible or for that matter needed (the Caribbean is an example), the strategy allows the flexibility to focus implementation on the weakest subsystem(s) so that the assessment, design, implementation, evaluation, and modifications can initially take place on a lower level with the ultimate objective of integrating all financial management systems at a later date.

The provision in the strategy for the creation of a new Mission level post of Accountability Officer has much merit and would give assurance of technical consistency and continuity to the IFMS. This new position could not only serve to assure technical consistency, but more importantly, to provide a means of monitoring project progress on the country level. In addition, this person could be able to assist host country officials in preparing project proposals and keeping host government requests within the framework of the LAC/RFMIP.

The strategy emphasizes the importance of political will to carry out and sustain change. Its call for a "task force" to coordinate the change is correct in that this will involve representatives from agencies of the government. But at the same time it does not usurp the powers of these agencies since the strategy calls on the agencies to implement and sustain any changes.

A.I.D.'s responsibility in this process is clearly stated. Several of the activities have already begun under this project as previously discussed. Where the political will and funding already exist, country-specific activities have begun. The strategy is correct in recommending a country level position for an "Accountability Officer." Coordinating in-country financial management activities is normally the responsibility of a Mission controller. Several A.I.D. controllers have indicated to the evaluation team that they are already too busy to take on these additional activities.

One of the more sobering aspects of the strategy is the time horizon anticipated for implementation. While it is certainly believable that changes of the magnitude that will be necessary to fully implement an IFMS in some countries should be measured in decades, is this fact not a major impediment to success? This type of time horizon will require a level of commitment on the part of the host country that is not often demonstrated in LAC governments. Notwithstanding this fact, will the donor organizations be able to dedicate their resources to such a degree as to maintain this type of long-term effort? One needs only to review the changing priorities of A.I.D. over the past two decades to question whether this type of commitment is possible.

The strategy concludes with a discussion of the importance of coordinating activities with other donors in order to maximize the use of limited resources (see Section B.1 for discussion of Donor Working Group).

Recommendations

- 1) Strategy implementation is costly both in time and resources. In addition, manpower on the A.I.D. side is expensive and hard to come by if quality is desired. Strategy implementation should therefore be prioritized to favor countries that have expressed the greatest interest and commitment to the process.
- 2) The Accountability Officer concept is endorsed as a means of coordinating financial management improvement activities and providing continuity on the Mission level.
- 3) Donor Working Group comments and accordance with the strategy should be obtained. At this point the strategy is very much the property of A.I.D., as it should be. But, given the magnitude of the effort to be undertaken, in manpower, money, and time, the strategy statement will be strengthened when it became the property of the Donor Working Group and Donor Community as a whole. It should be used as a means of formalizing all donor commitment to this process, which will be helpful later (say five years from now) when the priorities of a specific donor begins to shift away from improving financial management. It may be that the commitment of the group as a whole will be enough to keep the individual donors focused on the problem and committed to the process of sustaining activities to meet these long-term goals.

III. LESSONS LEARNED

- 1) Because design, implementation, and training activities undertaken under the LAC/RFMIP are in many cases untested, periodic assessments of the activity may result in changes to the model. Monies should be budgeted in second phase activities to allow for periodic assessment.
- 2) Technical assistance activities in financial management on the host country level place additional responsibilities on the Mission controller staff. Many USAID controllers indicated to the evaluation team that even though projects were identified and funding available, their primary Mission responsibilities do not leave them with the time to take on a project oversight role for these projects.
- 3) Conferences and meetings supported by this project provide a forum for government financial managers to meet to discuss current problems and share potential solutions. These forums are useful in enforcing the will, supported by the atmosphere of a professional collegium, to return home and initiate positive change.
- 4) Without an adequate legal framework in place and the political will to endorse proposed changes, financial management improvements on the government level are unlikely. These are essential first conditions to any intervention.
- 5) Donors must be ready to act immediately when the climate is right to propose and implement change. Contract mechanisms should be in place to allow for rapid response to requests for financial management improvement projects since windows of opportunity close quickly if political or economic conditions change.
- 6) Results of U.S. audits performed on development projects can sometimes initiate meaningful change on host country level. The Bolivian PL 480 success story showed that the threat of losing a cherished development program provoked change in the host government and resulted in a more efficient development program.
- 7) Project-sponsored country assessments of financial management systems can act as a catalyst leading to greater interest and commitment in the host government for implementing change.
- 8) There is a need to better inform LAC host country financial managers of the scope of and process for submitting potential activities under the RFMIP. Approximately half of the potential activities submitted for funding were not within the scope of the project. Valuable staff time is wasted on all sides preparing and reviewing inappropriate requests.

9) Solutions to the problem of fraud and corruption in government is a major concern of government financial managers in the LAC region. Possible solutions identified during the Second Conference of Caribbean Key Financial Management Officers were:

- ethics and morals should be taught beginning in the grade school level;
- existing regulations must be fully and conscientiously applied and promulgated in those countries where it is lacking and checks and balances must be in place so that the avenues and opportunities for corruption are minimized;
- public officials must be ethical and beyond reproach.

IV. PHASE II DESIGN IDEAS

Phase II of the LAC/RFMIP should provide funding for regional technical assistance activities identified and fitting the scope developed under this project. For example, consideration should be given to projects such as that submitted by the Government of Belize and USAID/Belize to institute limited training for personnel in the Ministry of Finance and Office of the Auditor General. A limited USAID Mission-sponsored assessment of government financial management in Belize targeted human resource development as a key area of concern and the proposed project was based upon the recommendations made. This project is pending based on the level of interest of the new Mission Controller.

Another project that may be appropriate for funding under phase II is a request received from the former Controller General of Ecuador for an assessment of public sector internal auditing in that country. This request was originally approved and scheduled for performance during late 1989. However, the then Controller General was transferred to another post. This project is pending based on the appointment and interest of a new Controller General.

These are just examples of the types of potential activities that could be funded under a phase II project. To date, PW and the Project Officer have received over 29 requests for project funding and after assessment, 14 of these requests seem suitable for funding under this type of project. Most of these proposed projects pertain to improving host country budgeting, treasury, public debt, accounting, internal control, and external audit capabilities.

These potential efforts are bilateral in nature and could be funded directly by a Mission as opposed to using LAC Bureau funds. It is anticipated that the LAC Bureau would continue to fund at the central level activities initiated under this phase of the project. These activities would include but would not be limited to initiating and testing of country assessments and technical assistance designs, design of operational training courses, support for conferences and professional organizations, Donor Working Group support, producing and distributing publications, and financial data base maintenance.

In designing a follow-on project to the LAC/RFMIP it is strongly recommended that a more flexible contract mechanism be used in order to allow:

- Missions to buy into the project when appropriate;
- the Project Officer to choose between implementing contractors based on the anticipated scope of an activity;
- a rapid response capability.

The Project Officer and several LAC USAID Controllers have expressed some frustration with the structure of this project because of the inability to respond in a timely fashion and with adequate resources to project requests from the field. This has not been due to PW's inability

or unwillingness to supply the needed expertise but rather because of the inflexibility of the contract mechanism used for the LAC/RFMIP.

When most of the work required to implement unified, integrated financial management systems in LAC governments and their component agencies will require close supervision and long-term implementation (5 years or more), local Mission sponsorship and funding is a crucial and appropriate element.

In our discussions with the A.I.D. Controller and others with experience in project contracting, two contract mechanism have been suggested. One involves a regional IQC and the other a core contract with a buy-in provision.

The IQC, while offering the flexibility of multiple contractors and local Mission funding, also has disadvantages that all but rule it out as an option. One disadvantage is that IQC work orders are generally short-term (less than 6 months) in nature, which would exclude all but the most modest of technical assistance activities. IQC work orders also usually have a ceiling of \$100-150,000. Both of these characteristics do not accommodate the potential interventions that have been anticipated, i.e., long-term and multimillion dollar in nature.

A core contract with a buy-in provision may offer the best of both worlds to phase II execution. The RFP document could contain language to encourage the bidding firms to submit a consortium of consulting firms, give consideration for those firms who have LAC regional representation and perhaps require a percentage of small business involvement. This would give the project officer and Mission controllers the flexibility to choose a company within the winning consortium that has the optimum characteristics for a desired activity.

The buy-in provision also allows Missions to use the consultant resources contracted under the core contract to implement activities that are local priorities using Mission funding. Other advantages include the ability to fund long-term activities. There are no dollar limitations other than the availability of Mission funds, and the administration of the technical assistance can be through the Bureau, lessening the burden of project management for a Mission controller.

The project management burden would not be completely eliminated however, nor should it be. This brings up a final idea for a phase II project. A financial management project officer position at the Mission level, as suggested in the LAC strategy statement, to assist the Mission controller manage a long term project of this nature would provide several advantages. During our discussions with the USAID Controllers a comment that was frequently expressed was the workload of their primary responsibility, that is, managing Mission funds. It was indicated that project management responsibilities really would be too much to handle. Hence the proposal of a project officer, called an Accountability Officer, to help manage financial management project affairs, should be considered. This position would be synonymous at the Mission level with the LAC/RFMIP Project Officer is on the LAC Bureau level. The USAID/Panama Controller is employing such a person to manage the proposed IFMS project there.

This Accountability Officer could fill several needs that a Mission controller either does not have time or the language skills to perform. In addition to project management, the officer could be an effective liaison between the Mission and host country government financial managers. The officer could also assist in coordinating financial management activities among the other donors in country, act as a liaison on financial management project issues between the Mission, other Missions, and LAC Bureau in Washington, and assist host country officials and Mission controllers prepare potential project proposals that conform to the technical and budgetary parameters of the RFMIP. The cost of such a position should obviously be weighed against the benefits, and special consideration should be given to Missions that are implementing or have planned significant financial management improvement projects.

These are some of the ideas that have come up or have been proposed to the evaluation team over the past four weeks. It is by no means all inclusive, but does indicate that there is significant interest in and plenty of work to be done during any follow-on project.